



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARLISLE COUNTY SHERIFF**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Honorable Steve McChristian, Carlisle County Sheriff
Members of the Carlisle County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Carlisle County, Kentucky, for the year ended December 31, 2001.

We engaged Kapp & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC, evaluated the Carlisle County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**KAPP & COMPANY, PLLC
AUDIT EXAMINATION OF THE
CARLISLE COUNTY SHERIFF**

Calendar Year 2001

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARLISLE COUNTY SHERIFF

Calendar Year 2001

Kapp & Company, PLLC has completed the Carlisle County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

There were no excess fees as of December 31, 2001. Net receipts increased by \$5,377 from the prior year and total disbursements increased by \$5,510.

Report Comment:

- Lacks Adequate Segregation of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Drug Fund

The Sheriff's office established a Drug Fund on January 16, 1990 with a contribution from the Carlisle County Fiscal Court. On January 1, 2001 the balance was \$3,211. During calendar year 2001, receipts totaled \$68 and disbursements totaled \$1,654, leaving a balance of \$1,625 as of December 31, 2001.

STOPP Fund

The Sheriff's office established a STOPP Fund on January 25, 2000 with a payment from the Circuit Clerk's Office authorized by the courts for the prevention of drug abuse in Carlisle County. On January 1, 2001, the balance was \$706. During calendar year 2001, there were no receipts and disbursements totaled \$150, leaving a balance of \$556 as of December 31, 2001.

Local Law Enforcement Block Grant Fund

The Sheriff's office was awarded a Local Law Enforcement Block Grant in July 2000 in the amount of \$4,604. The grant required a local match of \$512. The purpose of the grant "is to provide funds to units of local government to underwrite projects to reduce crime and improve public safety." On January 1, 2001 the balance was \$2,287. During calendar year 2001, the Sheriff had no receipts, and disbursements totaled \$600, leaving a balance of \$1,687.

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Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Carlisle County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, County Judge/Executive
Honorable Steve McChristian, Carlisle County Sheriff
Members of the Carlisle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation of Duties

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
July 18, 2002

CARLISLE COUNTY
STEVE MCCHRISTIAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 2,630	
Return of Fugitives	2,261	
Tax Refund	2,818	
Fines/Fees Collected	<u>455</u>	\$ 8,164

Circuit Court Clerk:

Sheriff Security Service	4,250
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Fiscal Court	26,230
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County Clerk - Delinquent Taxes	800
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Commission On Taxes Collected	40,139
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Fees Collected For Services:

Auto Inspections	\$ 2,195	
Accident and Police Reports	201	
Serving Papers	3,374	
Carrying Concealed Deadly Weapons	2,203	
10% Sheriff's Fee	4,288	
Advertising Fees	<u>310</u>	12,571

Other:

Miscellaneous	34
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Interest Earned	207
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Borrowed Money:

State Advancement	<u>16,000</u>
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Total Receipts	<u>\$ 108,395</u>
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CARLISLE COUNTY
STEVE MCCHRISTIAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	14,560
Part-Time Salaries		880

Contracted Services-

Advertising		396
Transporting Prisoners		1,656

Materials and Supplies-

Office Materials and Supplies		903
Uniforms		339

Auto Expense-

Mileage		12,826
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Other Charges-

Conventions and Travel		483
Dues		300
Postage		211
Carrying Concealed Deadly Weapon permits		725
Cell Phones		418
Miscellaneous		260

Capital Outlay-

Office Equipment		1,511
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Debt Service:

State Advancement		<u>16,000</u>
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Total Disbursements		<u>\$ 51,468</u>
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CARLISLE COUNTY
STEVE MCCHRISTIAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

Total Disbursements (carried forward)		\$	51,468	
Net Receipts		\$	56,927	
Less: Statutory Maximum	\$	55,467		
Sheriff's Training Incentive		1,460	56,927	
Balance Due at Completion of Audit		\$	0	

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

The Sheriff's office established a Drug Fund on January 16, 1990, with a contribution from the Carlisle County Fiscal Court. On January 1, 2001, the balance was \$3,211. During the calendar year 2001, receipts totaled \$68 and disbursements totaled \$1,654, leaving a balance of \$1,625 as of December 31, 2001.

Note 5. STOPP Fund

The Sheriff's office established a STOPP Fund on January 25, 2000 with a payment from the Circuit Clerk's Office authorized by the courts for the prevention of drug abuse in Carlisle County. On January 1, 2001, there was a balance of \$706. During the calendar year 2001 there were no receipts, and disbursements totaled \$150, leaving a balance of \$556 as of December 31, 2001.

Note 6. Local Law Enforcement Block Grant Fund

The Sheriff's office was awarded a Local Law Enforcement Block Grant in July 2000 in the amount of \$4,604. This grant required a local match of \$512. The purpose of this grant "is to provide funds to units of local government to underwrite projects to reduce crime and improve public safety." On January 1, 2001 the balance was \$2,287. During calendar year 2001, there were no receipts, and disbursements totaled \$600, leaving a balance of \$1,687 as of December 31, 2001.

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COMMENT AND RECOMMENDATION

CARLISLE COUNTY
STEVE MCCHRISTIAN, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2001

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's office has a lack of segregation of duties. There are not enough compensating controls to offset this internal control weakness. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initializing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff could compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The sheriff should also compare the salaries listed on the quarterly report to the individual earnings records. Any differences should be reconciled. The Sheriff could document this by initializing the quarterly report.
- The Sheriff could periodically compare invoices to payments. The Sheriff could document this by initializing the invoices.
- The Sheriff could periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initializing the bank reconciliation and the balance in the checkbook.

County Sheriff's Response:

We will try to do better in the next year.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

The comment noted above is also a material weakness in internal control.

PRIOR YEAR:

In the prior year, the Sheriff failed to publish the annual fee settlement. The annual fee settlement for 2001 was published within 60 days of the end of the calendar year as required. The Sheriff's office is now in compliance with KRS 424.220.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Carlisle County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated July 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carlisle County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation section.

- Lacks Adequate Segregation of Duties

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp & Company, PLLC

Audit fieldwork completed -
July 18, 2002

